

Annual Report of the **Michigan State Treasurer**

*Fiscal Year
2005-2006*



Jennifer M. Granholm, *Governor*
Robert J. Kleine, *State Treasurer*

Table of Contents

State Treasurer's Letter of Transmittal	1
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Cash and Investments

Schedule 1	State Treasurer's Common Cash - Assets and Equities	2
Schedule 2	Investment Portfolios of Specific Funds	3
Schedule 3	Investment Revenues	4
	Notes to Financial Schedules	6
	Cash and Investments	8
Table 1	Investment Revenues for Fiscal Years 1997-2006.....	8
Table 2	Statement of Actual Available Month-End Common Cash	9
Table 3	Common Cash History.....	9
Table 4	State Treasurer's Common Cash Fund, Cash Balances and Transactions by Fund	10
Table 5	Demand Depositories as of September 30, 2006.....	13

Bonds, Notes, and Taxes

	Bonds and Notes	14
Table 6	General Obligation Debt, Bond and Note Payments	15
Table 7	Special Authority Revenue Bond Debt	16
Table 8	General Obligation Bond Payment Schedule	17
Table 9	Bonds and Notes Payable by Fiscal Year.....	17
Table 10	Special Revenue Debt, Bond and Note Payments	18
	State Tax Collections	19
Table 11	Treasury Administered Taxes and Fees Collected on a Cash Basis.....	19
Table 12	Michigan State Taxes	20
	Local Property Taxes	21
Table 13	Local Property Tax Valuation, Levies and Average Rates	21
Table 14	Distribution of Local Property Taxes.....	21

Note: Dollar figures in financial tables represent thousands of dollars unless indicated otherwise.
Figures may not add to totals because of rounding.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

ROBERT J. KLEINE
STATE TREASURER

June 2007

The Honorable Jennifer M. Granholm
Members of the Michigan Legislature
People of the State of Michigan

Attached for your review is the Annual Report of the Michigan State Treasurer for Fiscal Year 2005-2006. This report contains financial information regarding the State Treasurer's Common Cash Fund, Investment Portfolios and Revenues, Michigan's General Obligation Debt, Bond, and Note Payments, as well as State-Administered Tax Revenues collected during FY 2006.

Sincerely,

A handwritten signature in cursive script that reads "Robert J. Kleine".

Robert J. Kleine
State Treasurer

Schedule 1



State Treasurer's Common Cash - Assets and Equities (In Thousands of Dollars)

	<u>Fiscal Year Ended September 30</u>	
	<u>2006</u>	<u>2005</u>
<u>Assets</u>		
Cash on Hand	\$ -0-	\$ 1
Demand Deposits	173,010	238,522
Time Deposits - Regular	-0-	-0-
Time Deposits - Marina Loan Program	118	127
Time Deposits and Notes - Agricultural Loan Program	1,356	2,939
Prime Commercial Paper - At Cost	1,295,466	1,237,315
Emergency Municipal Loans	51,247	49,560
Michigan Sugar Beet Loan Program	<u>3,500</u>	<u>4,500</u>
Total	<u>\$ 1,524,697</u>	<u>\$ 1,532,964</u>
<u>Equities</u>		
Available Equity of Other Funds	\$ 1,397,478	\$ 1,364,207
Outstanding Warrants	<u>127,219</u>	<u>168,757</u>
Total	<u>\$ 1,524,697</u>	<u>\$ 1,532,964</u>

Schedule 2



Investment Portfolios of Specific Funds (In Thousands of Dollars)

Fund	Short-Term Investments	Fixed Income Securities	Equities and Mutual Funds	Real Estate and Mortgages	Alternative Investments	International Equities	FY Ended Sept. 30	
							2006 Total	2005 Total
Legislative Retirement	\$ 3,423	\$ 46,106	\$ 134,098	\$ -0-	\$ -0-	\$ -0-	\$ 183,627	\$ 179,929
State Police Retirement	25,907	192,055	582,759	100,633	152,186	147,922	1,201,462	1,120,794
State Employees' Retirement	243,695	1,763,012	5,250,577	946,375	1,303,531	1,328,694	10,835,884	10,058,834
Public School Employees' Retirement	1,257,704	7,050,167	20,826,454	3,245,484	5,491,258	5,274,474	43,145,541	39,568,528
Judges' Retirement	4,797	51,921	146,681	34,805	29,834	35,038	303,076	284,031
Michigan Veterans' Trust	3,652	37,268	5,846	-0-	-0-	-0-	46,766	46,969
Game and Fish Protection	23,254	1,732	-0-	-0-	-0-	-0-	24,986	26,341
Game and Fish Protection Trust	8,297	48,092	52,009	-0-	-0-	-0-	108,398	103,552
Michigan Civilian Conservation Corps	753	18,954	-0-	-0-	-0-	-0-	19,707	19,804
Michigan Natural Resources Trust	122,189	210,287	75,399	-0-	-0-	-0-	407,875	371,157
Michigan State Parks Endowment	14,830	86,627	32,167	-0-	-0-	-0-	133,624	130,091
Children's Trust	766	20,457	1,105	-0-	-0-	-0-	22,328	22,255
Michigan Nongame Fish and Wildlife	422	5,191	688	-0-	-0-	-0-	6,301	6,307
State Lottery	4,215	435,853	-0-	-0-	-0-	-0-	440,068	520,463
Michigan Higher Education Assistance Authority	1,572	-0-	-0-	-0-	-0-	-0-	1,572	1,511
Michigan Education Trust	128,598	551,087	243,695	-0-	-0-	-0-	923,380	907,135
Mackinac Bridge Authority	6,484	19,155	-0-	-0-	-0-	-0-	25,639	23,337
Gifts, Bequests, and Deposits Investment	17,360	17,126	155	-0-	-0-	-0-	34,641	40,746
Totals	\$1,867,918	\$10,555,090	\$27,351,633	\$4,327,297	\$6,976,809	\$6,786,128	\$57,864,875	\$53,431,784

The accompanying notes are an integral part of the financial schedules.

Schedule 3



Investment Revenues (In Thousands of Dollars)

Fund	Common Cash	Specific Funds	Total Revenues Fiscal Year Ended September 30	
			2006	2005
General	\$ (7,130)	\$ -0-	\$ (7,130)	\$ (16,043)
Counter - Cyclical Budget and Economic Stabilization	65	-0-	65	1,995
Game and Fish Protection	841	60	901	675
State Aeronautics	773	-0-	773	772
Michigan Veterans' Trust	144	1,892	2,036	2,031
State Trunkline	24,468	-0-	24,468	17,451
Michigan State Waterways	1,441	-0-	1,441	1,042
Blue Water Bridge	816	-0-	816	652
Michigan Transportation	8,300	-0-	8,300	6,328
Comprehensive Transportation	(18)	-0-	(18)	(25)
School Aid	3,625	-0-	3,625	2,047
Marine Safety	133	-0-	133	104
Game and Fish Protection Trust	739	7,012	7,751	7,302
State Park Improvement	261	-0-	261	164
Forest Development	620	-0-	620	490
Recreation Bond - Local Projects	7	-0-	7	4
Michigan Civilian Conservation Corps	32	722	754	637
Michigan Natural Resources Trust	5,523	13,888	19,411	16,467
Michigan State Parks Endowment	1,045	6,308	7,353	6,803
Safety Education and Training	152	-0-	152	134
Clean Michigan Initiative Bond - Local Projects	96	-0-	96	79
Environmental Protection Bond	320	-0-	320	477
Clean Michigan Initiative Bond - Environment Projects	526	-0-	526	591
Bottle Deposits	2,588	-0-	2,588	2,610
State Construction Code	138	-0-	138	179
Children's Trust	47	900	947	838
Homeowner Construction Lien Recovery	159	-0-	159	101
Michigan Nongame Fish and Wildlife	17	295	312	249
21st Century Jobs Trust	7,957	-0-	7,957	-0-
1989 State Trunkline Bond Proceeds	49	-0-	49	26
1992 State Trunkline Bond Proceeds	85	-0-	85	145
1994 State Trunkline Bond Proceeds	10	-0-	10	9
Michigan Merit Award Trust	(337)	-0-	(337)	1,840
Tobacco Settlement Trust	696	-0-	696	729
State Truckline Bond Proceeds	4,941	-0-	4,941	5,031
Build Michigan II - GARVEE Note Proceeds	39	-0-	39	(62)
Comprehensive Transportation Bond Proceeds	3,733	-0-	3,733	2,203
Michigan Underground Storage Tank Financial Assurance	-0-	-0-	-0-	28
Liquor Purchasing Revolving	4,603	-0-	4,603	2,520
State Lottery	4,084	15,059	19,143	14,706
Land Bank Fast Track Authority	22	-0-	22	5
State Fair Exposition and Fairground Authority	12	-0-	12	5

Schedule 3



Continued. . . (In Thousands of Dollars)

Fund	Common Cash	Specific Funds	Total Revenues Fiscal Year Ended September 30	
			2006	2005
Jobs for Michigan Investment	\$ 4	\$ -0-	\$ 4	\$ -0-
State Water Pollution Control Loan	49	-0-	49	20
Combined State Trunkline Bond and Interest Redemption	112	-0-	112	41
Combined Comprehensive Transportation Bond and Interest Redemption	190	-0-	190	7
Michigan Underground Storage Tank Financial Assurance Finance Authority	-0-	-0-	-0-	808
Recreation and Environmental Protection Bond Redemption	35	-0-	35	19
Clean Michigan Initiative Bond - State Projects	85	-0-	85	62
Recreation Bond - State Projects	6	-0-	6	3
Legislative Retirement	195	12,691	12,886	20,226
State Police Retirement	100	142,030	142,130	132,583
State Employees' Retirement	591	1,267,230	1,267,821	1,184,720
Public School Employees' Retirement	6,770	5,016,956	5,023,726	4,622,419
Judges' Retirement	104	34,670	34,774	32,277
Michigan Employment Security Act Contingent	467	-0-	467	192
Vietnam Veterans' Memorial Monument	25	-0-	25	15
Law Enforcement Officers Memorial	2	-0-	2	-0-
Military Family Relief	68	-0-	68	15
Children's Institute Trust	5	-0-	5	3
Gifts, Bequests, and Deposits Investment	1,048	672	1,720	1,273
Silicosis, Dust Disease, and Logging Industry Compensation	106	-0-	106	69
Second Injury	493	-0-	493	375
Hospital Patients' Trust	9	-0-	9	6
Self-Insurers' Security	702	-0-	702	363
State Employees' Deferred Compensation I (457)	39	-0-	39	19
State Employees' Deferred Compensation II (401(k))	32	-0-	32	17
State Employees' Defined Contribution Plan	5	-0-	5	2
Environmental Quality Deposits	135	-0-	135	80
Utility Consumer Representation	148	-0-	148	83
Transportation Related Trust	(691)	-0-	(691)	153
Michigan Higher Education Assistance Authority	-0-	65	65	38
Mackinac Bridge Authority	-0-	1,043	1,043	592
Michigan Education Trust	-0-	49,442	49,442	26,934
TOTALS	\$ 82,456	\$6,570,935	\$6,653,391	\$6,104,753

The accompanying notes are an integral part of the financial schedules.

Notes to Financial Schedules



NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

a. Report Presentation

The accompanying financial schedules report the assets and equities of the State Treasurer's common cash (Schedule 1), investment portfolios of specific funds (Schedule 2), and investment revenues of the common cash and specific funds (Schedule 3).

The State Treasurer's common cash and specific funds are accounted for in various funds of the State of Michigan and reported in the *State of Michigan Comprehensive Annual Financial Report*.

The *State of Michigan Comprehensive Annual Financial Report* provides more extensive general disclosures regarding the State Treasurer's common cash and deposits and investments. These disclosures provide information regarding market values and risk levels of the deposits and investments.

Common Cash Pool. The State Treasurer, under the authority provided by State statute, manages the State's common cash pool. The pooling of cash allows the State Treasurer to invest money not needed to pay immediate obligations so that investment earnings on available cash are maximized. Pool investments are not segregated by fund; rather, each contributing fund's balance is treated as equity in the common cash pool.

Investments. The State Treasurer, under authority provided by State statutes, manages most investments for the State of Michigan.

Short-Term Investments: This category includes each of the listed fund's individually held short-term investments by classification, the fund's equity in the State Treasurer's common cash pool, and receivables and payables pertaining to security trades not yet settled at fiscal year-end.

Alternative Investments: These investments consist of limited partnerships.

Derivatives: These are financial instruments whose value is derived from, or based on, an underlying security, asset, reference rate or index. The State Treasurer only uses derivative securities or related contractual agreements to hedge assets held or to replicate asset returns. Derivatives are not used for speculation or to leverage the investment portfolios.

The State Treasurer does not employ the use of derivatives in the investment of the State Treasurer's common cash pool or the investment of trust funds other than the pension trust funds.

The State Treasurer invests in derivatives as detailed below:

- *U.S. Passive Equities (Derivatives):* These investments are equity index hedge and replication of return strategies and represent 1.3 percent of the pension trust funds Equities and Mutual Funds investment category.

The pension trust fund portfolios have been invested from time to time in derivative securities and contracts related to U.S. passive equity funds. On September 30, 2006 and September 30, 2005 these strategies comprised approximately 0.6 percent and 0.3 percent of the total pension trust funds, respectively.

- *S&P 600 Small Cap Index (Derivatives):* These investments are swap agreements and represent 0.2 percent of the pension trust funds Equities and Mutual Funds investment category.
- *International Equity Swaps (Derivatives):* These investments are swap agreements and represent 72.9 percent of the International Equities investment category.

Swap agreements, which are tied to stock market indices in the United States and 22 foreign countries, are the core of the International Equity Market investment strategy and the S&P 600 Small Cap investment strategy. These contractual agreements are made with large global banks and brokerage firms, and represent approximately 8.9 percent and 10.6 percent of the total pension trust funds on September 30, 2006 and 2005, respectively.

Separately issued financial reports including financial statements and required supplementary information are issued for the pension trust funds. These reports provide more extensive disclosures for derivatives.



b. Basis of Accounting

Schedule 1, *State Treasurer's Common Cash - Assets and Equities*, is presented on the cash basis of accounting. (*The State of Michigan Comprehensive Annual Financial Report's* disclosure regarding the State Treasurer's common cash includes \$3.1 million in interest receivable, because it is presented on the modified accrual basis of accounting.) Schedule 2, *Investment Portfolios of Specific Funds*, and Schedule 3, *Investment Revenues*, are reported on the accrual basis of accounting.

These financial schedules are not intended to constitute a complete financial presentation of either the Department of Treasury or the State's General Fund in accordance with accounting principles generally accepted in the United States of America.

c. Valuations of Investments

Schedule 1. All investments are reported at cost.

Demand deposits represent the account balance reported on bank statements and include deposits which are in the process of being collected through the banking system.

The market value of prime commercial paper at September 30, 2006 and 2005 was \$1,297.2 and \$1,238.3 million, respectively.

Schedule 2. Methods used to value investments.

All investments are reported at fair value, except for short-term investments, which are reported at cost. Securities traded on a national exchange are valued at last reported sales price. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

d. Securities Lending Transactions

Under the authority of Act No. 314 of the Public Acts of 1965, the State lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The State's third-party agent manages the securities lending program and receives securities as collateral. The agent is not liable for any losses unless there is negligence or willful misconduct on its part. The collateral securities cannot be pledged or sold by the State and the State receives collateral in the amount of 102 percent of the market value of the securities lent. The types of securities lent are government securities, corporate bonds and equities, and the collateral received is cash, cash equivalents, and U.S. Treasury securities. There is no restriction on the amount of securities lent. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. At September 30, 2006 and 2005 the State had no outstanding credit risk. The market value of the securities lent at September 30, 2006 and 2005 was \$9,009.9 and \$3,325.5 million, respectively.

NOTE 2: CHANGE IN REPORTING OF FUNDS

Effective for FY ended September 30, 2006:

21st Century Jobs Trust Fund and Jobs for Michigan Investment Fund were added to Schedule 3. State Sponsored Group Insurance Fund and State Park Revenue Bond Fund were removed from Schedule 3.

Effective for FY ended September 30, 2005:

Land Bank Fast Track Authority, State Fair Exposition and Fairground Authority, Law Enforcement Officers Memorial Fund and Military Family Relief Fund were added to Schedule 3. 1992 Comprehensive Transportation Bond Proceeds, Bankrupt Self-Insured Corporations' Workers Disability Fund #12, #14 and #15 were removed from Schedule 3.

Cash and Investments

The State Treasurer manages the State's cash so funds not needed to pay immediate obligations are invested to earn income. Investments include time certificates of deposit and prime commercial paper as detailed in Schedule 1, *State Treasurer's Common Cash - Assets and Equities*.

Statutes also allow the State Treasurer to loan funds from the common cash pool to financially troubled municipalities in Michigan and to make common cash available to Michigan farmers experiencing financial stress.

The common cash fund pools the cash balances of certain State funds until paid as provided by law.

Manageable common cash includes the following funds:

- General
- School Aid
- Budget Stabilization
- Special Revenue and Enterprise
- Internal Service
- Trust and Agency

The State Treasurer is authorized to transfer cash on hand and on deposit among the various funds in the state Treasury, except funds established to pay debts service on notes and bonds, in such a manner as to best manage the available cash, maximize short-term investment earnings and ensure State obligations are paid when due.

Table 1



Investment Revenues for Fiscal Years 1997-2006 (In Thousands of Dollars)

	General Fund Common Cash Earnings (Expenses) ^(a)	Public School Employees' Retirement	State Employees' Retirement	State Police Retirement	Judges' Retirement	Other Investment Funds	Totals ^(b)
2006	\$ (7,130)	\$ 5,023,726	\$ 1,267,821	\$ 142,130	\$ 34,774	\$ 192,070	\$ 6,653,391
2005	(16,043)	4,622,419	1,184,720	132,583	32,277	148,797	6,104,753
2004	(10,258)	4,227,384	1,092,404	120,506	29,167	117,941	5,577,145
2003	(5,891)	4,622,454	1,240,425	135,298	34,929	137,619	6,164,834
2002	(1,664)	(3,652,504)	(985,906)	(106,066)	(25,747)	211,087	(4,560,800)
2001	66,572	(4,511,763)	(1,247,748)	(136,149)	(30,726)	380,968	(5,478,846)
2000	72,497	4,818,123	1,378,453	146,279	44,467	327,887	6,787,706
1999	20,690	5,124,436	1,482,096	158,055	53,345	605,413	7,444,035
1998	(17,192)	2,443,513	718,011	76,461	26,467	497,425	3,744,685
1997	(72,004)	5,794,850	1,699,093	178,693	61,992	738,364	8,400,988

(a)

Fiscal Year Ending	Total State Treasurer's Common Cash Fund and General Obligation Note Retirement Fund Earnings	Distribution of Earnings to Retirement and Other Funds Reported in Their Earnings	General Fund Common Cash Earnings (Expenses)
2006	\$ 82,456	\$ 89,586	\$ (7,130)
2005	\$ 46,256	\$ 62,299	\$ (16,043)
2004	18,440	28,699	(10,258)
2003	27,892	33,783	(5,891)
2002	69,894	71,558	(1,664)
2001	247,607	181,035	66,572
2000	277,698	205,201	72,497
1999	163,811	143,121	20,690
1998	143,222	160,414	(17,192)
1997	100,067	172,071	(72,004)

(b) Effective October 1, 1997, revenues for nonretirement funds include unrealized gains and losses. Retirement funds were reported at fair value effective October 1, 1996.

Table 2



Statement of Actual Available Month-End Common Cash (In Millions of Dollars)

Month	Combined General Fund and School Aid Fund	Budget Stabilization Fund	Other Funds	Manageable Common Cash ^(a)	Retirement Funds	Bond Funds ^(b)	Total Common Cash
October 2005	\$ (187.2)	\$ 2.0	\$ 1,838.9	\$ 1,653.7	\$ 145.4	\$ 246.8	\$ 2,045.9
November	966.0	2.0	1,719.8	2,687.8	188.1	250.3	3,126.2
December	663.7	2.0	1,626.1	2,291.8	275.2	185.6	2,752.6
January 2006	848.8	2.0	1,691.5	2,542.3	111.4	179.4	2,833.1
February	(209.4)	2.0	1,708.2	1,500.8	152.5	212.5	1,865.8
March	(757.3)	2.0	1,733.7	978.4	649.5	153.9	1,781.8
April	(904.3)	2.0	1,985.1	1,082.8	169.2	141.4	1,393.4
May	(1,149.0)	2.0	2,415.5	1,268.5	104.4	128.4	1,501.3
June	(1,410.7)	2.0	2,367.9	959.2	218.7	145.2	1,323.1
July	(1,252.1)	2.0	2,402.5	1,152.4	98.1	362.4	1,612.9
August	(1,665.8)	2.0	2,405.0	741.2	136.2	289.4	1,166.8
September	(1,300.5)	2.0	2,159.3	860.8	93.2	443.5	1,397.5

(a) Manageable Common Cash includes the General, School Aid, Budget Stabilization, Special Revenue, Enterprise, Internal Service, Trust, and Agency Funds.

(b) Includes Debt Service, Capital Projects, and Bond Funds.

Table 3



Common Cash History (In Millions of Dollars)

Fiscal Year Ended	Combined General Fund and School Aid Fund	Budget Stabilization Fund	Other Funds	Manageable Common Cash ^(a)	Retirement Funds	Bond Funds ^(b)	Total Common Cash
September 1997	(493.9)	1,152.4	1,339.6	1,998.1	133.4	143.5	2,275.0
September 1998	136.0	1,000.5	1,426.3	2,562.8	140.3	264.2	2,967.3
September 1999	1,068.3	1,222.5	1,423.9	3,714.7	142.9	130.2	3,987.8
September 2000	1,631.6	1,264.4	1,996.1	4,892.1	186.2	153.4	5,231.7
September 2001	1,091.5	994.2	1,782.5	3,868.2	143.1	578.2	4,589.5
September 2002	454.7	145.2	1,776.3	2,376.2	121.8	518.2	3,016.2
September 2003	(490.1)	0.0	1,915.8	1,425.7	152.2	418.3	1,996.2
September 2004	(897.6)	0.0	2,077.2	1,179.6	197.5	402.7	1,779.8
September 2005	(856.4)	2.0	1,873.3	1,018.9	103.7	241.6	1,364.2
September 2006	(1,300.5)	2.0	2,159.3	860.8	93.2	443.5	1,397.5

(a) Manageable Common Cash includes the General, School Aid, Budget Stabilization, Special Revenue, Enterprise, Internal Service, Trust, and Agency Funds.

(b) Includes Debt Service, Capital Projects and Bond Funds.

Table 4



State Treasurer's Common Cash Fund, Cash Balances and Transactions by Fund (In Thousands of Dollars)

Fund	Cash Balances 10-1-05	Receipts (a)	Disburse- ments (b)	Transfers In	Transfers Out	Cash Balances 9-30-06	Warrants Outstanding	Available Balances 9-30-06
GENERAL AND SCHOOL AID								
General	\$ 784,314	\$ 31,403,282	\$ 31,773,396	\$ 253,932	\$ 140,716	\$ 527,416	\$ 89,317	\$ 438,099
School Aid	(1,549,426)	11,732,426	12,619,779	743,293	44,500	(1,737,986)	650	(1,738,636)
Total General and School Aid	\$ (765,112)	\$ 43,135,707	\$ 44,393,175	\$ 997,225	\$ 185,215	\$ (1,210,570)	\$ 89,967	\$ (1,300,537)
BUDGET STABILIZATION								
Counter-Cyclical Budget and Economic Stabilization	\$ 1,953	\$ 65	\$ -0-	\$ -0-	\$ -0-	\$ 2,017	\$ -0-	\$ 2,017
Total Budget Stabilization	\$ 1,953	\$ 65	\$ -0-	\$ -0-	\$ -0-	\$ 2,017	\$ -0-	\$ 2,017
SPECIAL REVENUE								
Game and Fish Protection	\$ 24,585	\$ 54,699	\$ 67,064	\$ 11,414	\$ 380	\$ 23,254	\$ 153	\$ 23,102
Michigan Employment Security Act-Administration	(6,106)	129,629	137,444	6,449	788	(8,260)	109	(8,369)
State Aeronautics	17,350	188,565	187,478	6,000	2,699	21,738	1,457	20,281
Michigan Veterans' Trust	2,346	4,727	3,416	-0-	6	3,652	1	3,651
State Trunkline	712,165	797,155	1,583,427	890,844	188,284	628,454	3,396	625,058
Michigan State Waterways	38,272	10,966	22,550	14,415	164	40,938	76	40,862
Blue Water Bridge	26,341	15,003	31,321	-0-	2,405	7,617	-0-	7,617
Michigan Transportation	184,959	2,019,347	1,014,981	1,007	1,015,151	175,181	342	174,839
Comprehensive Transportation	38,432	93,196	226,111	168,258	28,560	45,216	93	45,123
Marine Safety	2,622	5,146	5,182	-0-	13	2,573	38	2,536
Game and Fish Protection Trust	11,441	12,963	4,693	-0-	11,414	8,297	-0-	8,297
State Park Improvement	7,857	40,158	37,779	-0-	1,336	8,900	88	8,811
Forest Development	18,003	27,830	31,753	-0-	1,158	12,922	28	12,894
Michigan Civilian Conservation Corps	619	1,099	962	-0-	3	753	1	752
Michigan Natural Resources Trust	121,461	102,040	91,301	-0-	10,011	122,189	235	121,954
Michigan State Parks Endowment	18,654	6,162	19,919	10,000	66	14,830	121	14,709
Safety Education and Training	5,485	6,808	8,222	-0-	38	4,033	10	4,022
Bottle Deposits	99,818	25,086	31,842	-0-	34,571	58,491	48	58,443
State Construction Code	6,208	9,610	13,291	-0-	86	2,441	20	2,421
Children's Trust	1,056	3,800	4,090	-0-	-0-	766	386	380
State Casino Gaming	17,794	31,140	16,656	-0-	17,824	14,455	1	14,454
Homeowner Construction Lien Recovery	4,511	680	1,432	-0-	1	3,759	61	3,698
Michigan Nongame Fish and Wildlife	448	663	686	-0-	3	422	3	418
21 st Century Jobs Trust	-0-	-0-	19,857	400,000	-0-	380,143	-0-	380,143
Michigan Merit Award Trust	27,747	254,202	240,483	-0-	4,000	37,465	107	37,358
Tobacco Settlement Trust	(2,419)	779	(1,640)	-0-	-0-	-0-	-0-	-0-
Michigan Tobacco Settlement Finance Authority	-0-	400,000	302	1,000	400,000	698	-0-	698
State Building Authority Advance Financing	(17,097)	205,403	214,727	305	-0-	(26,116)	164	(26,280)
Michigan Strategic	75,833	120,790	169,035	-0-	-0-	27,588	631	26,957
Land Bank Fast Track Authority	173	2,971	659	-0-	-0-	2,486	-0-	2,486
State Exposition and Fairgrounds Authority	1,400	6,086	6,288	-0-	-0-	1,198	362	836
Jobs for Michigan Investment	-0-	64,631	25,114	-0-	-0-	39,517	60	39,457
School Loan Revolving	30,000	180,383	167,295	-0-	-0-	43,088	-0-	43,088
Total Special Revenue	\$ 1,469,958	\$ 4,821,716	\$ 4,383,721	\$ 1,509,693	\$ 1,718,961	\$ 1,698,685	\$ 7,989	\$ 1,690,696

Table 4



Continued... (In Thousands of Dollars)

Fund	Cash Balances 10-1-05	Receipts (a)	Disburse- ments (b)	Transfers In	Transfers Out	Cash Balances 9-30-06	Warrants Outstanding	Available Balances 9-30-06
BOND, DEBT SERVICE AND CAPITAL PROJECTS								
Recreation Bond - Local Projects	\$ 164	\$ 7	\$ 25	\$ -0-	\$ -0-	\$ 146	\$ -0-	\$ 146
Clean Michigan Initiative Bond								
- Local Projects	2,271	96	347	-0-	2	2,019	-0-	2,019
Clean Michigan Initiative Bond								
- Environmental Projects	46,103	81,238	59,222	-0-	24	68,095	333	67,762
Environmental Protection Bond	11,927	27,674	8,222	-0-	-0-	31,379	127	31,252
School Bond Loan	1,226	67,209	67,317	-0-	-0-	1,119	-0-	1,119
Great Lakes Water Quality Bond Fund	(9)	47,071	47,032	-0-	-0-	30	-0-	30
1989 State Trunkline Bond Proceeds	1,013	53	11	-0-	-0-	1,055	-0-	1,055
1992 State Trunkline Bond Proceeds	4,961	326	5,286	-0-	-0-	1	-0-	1
1994 State Trunkline Bond Proceeds	234	30	54	-0-	-0-	210	-0-	210
State Trunkline Bond Proceeds	97,175	361,061	216,579	-0-	-0-	241,658	3	241,655
Build Michigan II								
- GARVEE Note Proceeds	-0-	99,809	6,831	-0-	92,971	8	-0-	8
Comprehensive Transportation Bond								
Proceeds	73,958	40,161	19,262	-0-	-0-	94,858	6	94,851
Combined State Trunkline Bond and								
Interest Redemption	455	(8)	188,000	187,579	-0-	27	-0-	27
Combined Comprehensive Transportation								
Bond and Interest Redemption	-0-	18,733	49,872	31,139	-0-	-0-	-0-	-0-
Michigan Underground Storage Tank								
Financial Assurance Finance Authority	-0-	95	-0-	-0-	95	-0-	-0-	-0-
Recreation and Environmental Protection								
Bond Redemption	1,169	14	83,760	83,779	-0-	1,202	1	1,201
School Loan Bond Redemption	-0-	-0-	44,263	44,500	-0-	237	-0-	237
Clean Michigan Initiative Bond								
- State Projects	1,863	85	181	-0-	-0-	1,766	-0-	1,766
Recreation Bond - State Projects	133	6	-0-	-0-	-0-	139	-0-	139
Total Bond, Debt Service and Capital Projects	\$ 242,647	\$ 743,661	\$ 796,264	\$ 346,997	\$ 93,092	\$ 443,948	\$ 470	\$ 443,477
ENTERPRISE								
Liquor Purchasing Revolving	\$ 57,477	\$ 739,518	\$ 578,709	\$ -0-	\$ 152,360	\$ 65,926	\$ 5,505	\$ 60,421
State Lottery	6,200	1,198,665	508,592	-0-	692,059	4,215	2,587	1,628
Michigan Higher Education								
Assistance Authority	38	3,000	2,928	-0-	-0-	110	-0-	110
Michigan State Housing								
Development Authority	(38)	151,751	151,822	-0-	-0-	(110)	8,493	(8,603)
State Water Pollution Control Loan	22	127,757	84,858	-0-	-0-	42,922	-0-	42,922
Total Enterprise	\$ 63,699	\$ 2,220,692	\$ 1,326,909	\$ -0-	\$ 844,418	\$ 113,063	\$ 16,585	\$ 96,478
INTERNAL SERVICE								
Correctional Industries Revolving	\$ 238	\$ 40,099	\$ 41,363	\$ -0-	\$ 191	\$ (1,217)	\$ 321	\$ (1,538)
Motor Transport	(1,959)	57,795	56,101	-0-	26	(291)	9	(301)
Office Services Revolving	(4,803)	159,801	162,331	-0-	109	(7,442)	161	(7,603)
Information Technology	28,385	462,988	454,196	-0-	988	36,188	1,585	34,603
Risk Management	7,984	45,415	44,249	-0-	14	9,136	-0-	9,136
State Sponsored Group Insurance	196,436	1,045,744	1,040,569	-0-	-0-	201,611	91	201,520
Total Internal Service	\$ 226,281	\$ 1,811,842	\$ 1,798,808	\$ -0-	\$ 1,328	\$ 237,986	\$ 2,169	\$ 235,817

Table 4



Concluded... (In Thousands of Dollars)

Fund	Cash Balances 10-1-05	Receipts (a)	Disburse- ments (b)	Transfers In	Transfers Out	Cash Balances 9-30-06	Warrants Outstanding	Available Balances 9-30-06
RETIREMENT								
Legislative	\$ 2,879	\$ 112,757	\$ 112,000	\$ -0-	\$ -0-	\$ 3,636	\$ 31	\$ 3,605
State Police	3,890	539,735	539,561	-0-	1	4,064	206	3,858
State Employees'	21,428	4,941,482	4,952,284	-0-	12	10,614	1,728	8,886
Public School Employees'	82,396	18,412,543	18,413,253	-0-	68	81,618	5,785	75,833
Judges'	1,436	124,976	125,308	-0-	-0-	1,104	48	1,055
Total Retirement	\$ 112,030	\$ 24,131,492	\$ 24,142,405	\$ -0-	\$ 81	\$ 101,036	\$ 7,799	\$ 93,237
TRUST AND AGENCY								
Michigan Employment Security								
Act Contingent	\$ 7,312	\$ 15,111	\$ 11	\$ -0-	\$ 10,076	\$ 12,336	\$ -0-	\$ 12,336
Vietnam Veterans' Memorial Monument	491	92	13	-0-	-0-	570	-0-	570
Law Enforcement Officers Memorial	30	27	12	-0-	-0-	45	-0-	45
Military Family Relief	1,233	614	358	-0-	-0-	1,489	5	1,484
Children's Institute Trust	101	5	7	-0-	-0-	99	-0-	99
Abandoned and Unclaimed								
Property (Escheats)	89,893	88,323	92,540	-0-	-0-	85,676	883	84,793
Gifts, Bequests, and Deposits Investment	26,345	112,774	121,760	-0-	-0-	17,360	646	16,714
Silicosis, Dust Disease, and Logging								
Industry Compensation	3,083	2,082	2,294	-0-	4	2,868	60	2,807
Assigned Claims Facility and Plan	36,057	129,232	163,565	-0-	722	1,002	-0-	1,002
Second Injury	17,703	15,297	17,424	-0-	10	15,567	252	15,315
Hospital Patients'	167	1,729	1,747	-0-	-0-	149	18	132
Self-Insurers' Security	17,422	8,209	8,109	-0-	5	17,516	175	17,341
State Employees' Deferred Comp. I (457)	757	59,153	58,998	-0-	-0-	912	-0-	912
State Employees' Deferred Comp. II (401k)	657	115,488	115,365	-0-	-0-	780	-0-	780
State Employees' Defined Contribution Plan	112	95,246	95,155	-0-	-0-	203	-0-	203
Special Assessment Deferment	1,051	339	128	-0-	-0-	1,263	2	1,261
Environmental Quality Deposits	2,775	145	33	-0-	-0-	2,887	-0-	2,887
Insurance Carrier Deposits	910	92,289	91,944	-0-	-0-	1,255	72	1,183
Utility Consumer Representation	3,461	1,200	1,060	-0-	3	3,598	-0-	3,598
Transportation Related	(28,051)	278,477	277,470	-0-	-0-	(27,043)	127	(27,170)
Total Trust and Agency	\$ 181,509	\$ 1,015,833	\$ 1,047,992	\$ -0-	\$ 10,819	\$ 138,531	\$ 2,239	\$ 136,292
GRAND TOTALS	\$ 1,532,965	\$ 77,881,007	\$ 77,889,275	\$ 2,853,915	\$ 2,853,915	\$ 1,524,697	\$ 127,219	\$ 1,397,478

(a) Receipts include \$15,498.2 million of securities sold and matured.

(b) Disbursements include \$19,332.3 million of securities purchased.

Table 5



Demand Depositories as of September 30, 2006 (In Thousands of Dollars)

City	Depository Bank	Deposits ^(a)	City	Depository Bank	Deposits ^(a)
Adrian	Sky Bank	\$ 72	Ishpeming	Peninsula Bank	\$ 18
	Bank of Lenawee	92	Ithaca	Commercial National Bank	7
Alma	Firstbank, Alma	115	Kalamazoo	National City Bank	16
Bad Axe	Signature Bank	54	L'Anse	Commercial National Bank	32
Baldwin	Lake Osceola State Bank	68	Lansing	LaSalle Bank-Credit Card	715
Benton Harbor	Chemical Bank Shoreline	454		LaSalle Bank-Main Acct.	4,712
Beulah	Central State Bank	24	Lapeer	Lapeer County Bank and Trust	67
Cadillac	Chemical Bank - West	75	Manistique	mBank	95
Caro	Independent Bank - East Michigan	2		State Savings Bank	17
Cheboygan	Citizens National Bank	109	Marquette	Wells Fargo Bank, Michigan	990
Chelsea	Chelsea State Bank	59	Mason	Mason State Bank	608
Coldwater	Century Bank and Trust	119	Midland	Chemical Bank and Trust	2,728
	Southern Michigan National Bank	113	Monroe	Monroe Bank and Trust	224
Croswell	Eastern Michigan Bank	4	Mt. Pleasant	Isabella Bank and Trust	231
Crystal Falls	First National Bank	11	Munising	Peoples State Bank of Munising	48
Detroit	JP Morgan Chase-Income Tax	2,826	Newberry	Tahquamenon Area Credit Union	22
	JP Morgan Chase-Main Acct.	130,469	Norway	First National Bank	5
	Comerica Bank - Detroit	8,202	Ontonagon	Citizens State Bank	21
	Comerica Bank - ACH Service	2,437	Port Austin	Port Austin State Bank	5
Eastpointe	First State Bank	191	Rockford	Independent Bank - West Michigan	44
East Tawas	Huron Community Bank	52	St. Charles	Community State Bank	61
Escanaba	Northern Michigan National Bank	14	St. Ignace	First National Bank	30
	Upper Peninsula State Bank	90	Sault Ste. Marie	Central Savings Bank	228
Fenton	The State Bank	117		Soo Co-Op Credit Union	8
Flint	Citizens Banking Corporation	3,120	Shelby	Shelby State Bank	57
Gladstone	Bay Bank	4	Stockbridge	SSBBank	5
	First Bank Upper Michigan	15	Three Rivers	First National Bank	21
Grand Rapids	Fifth Third Bank	7,545	Wakefield	First National Bank	91
Hancock	Superior National Bank and Trust	116	West Branch	Firstbank, West Branch	72
Hastings	Sand Ridge Bank	78	Zeeland	Huntington National Bank	4,843
Hillsdale	Hillsdale County National Bank	52			
Ionia	Independent Bank	201			
	Ionia County National Bank	57			
Iron Mountain	First National Bank of Iron Mountain	30	Total		173,010

(a) Deposits represent the account balance reported on bank statements and include deposits which are in the process of being collected through the banking system. Deposits are rounded to the nearest thousand and are secured by \$385 million of collateral.

Bonds and Notes

The Michigan Constitution limits State general obligation debt to (1) short-term debt for State operating purposes, (2) short- and long-term debt for the purpose of making loans to school districts, and (3) long-term debt for voter-approved purposes.

Short-term debt for operating purposes is limited to an amount not in excess of 15 percent of undedicated revenues received during the preceding fiscal year (FY). Under the Michigan Constitution as implemented by statutory provisions, such debt must be authorized by the State Administrative Board and issued only to meet obligations incurred pursuant to appropriation and must be repaid during the FY in which it was incurred. Such debt does not require voter approval.

The amount of debt incurred by the State for the purpose of making loans to school districts is recommended by the State Treasurer, who certifies the amounts necessary for loans to school districts semiannually. The bonds may be issued in whatever amount is required without voter approval. All other general obligation bonds issued by the State must be approved as to amount, purpose, and method of payment by a two-thirds vote of each house of the Legislature and by a majority vote of the public at a general election.

There is no limitation as to number or size of such general obligation issues.

General Obligation Debt

All current general obligation bond and note issues are presented in Table 6, *General Obligation Debt, Bond and Note Payments*. During fiscal 2006, the State issued new debt for \$214.8 million to fund the School Bond Loan, Environmental and Great Lakes Water Quality Programs. The State also issued \$4.0 million to pay existing Strategic Water Quality Initiatives Fund (SWQIF) debt.

Special Authority Revenue Bond Debt

Certain governmental authorities issue revenue bonds for construction projects and to acquire or build facilities for the State or its institutions of higher learning. These bonds, as shown in Table 7, *Special Authority Revenue Bond Debt*, are obligations of the individual authorities and are not direct general obligations of the State.

Special Revenue Debt

The State periodically issues long-term bonds for specific purposes, as presented in Table 10, *Special Revenue Debt, Bond and Note Payments*. These issues are not supported by the State's general credit, and their financing comes strictly from the designated revenue sources.

Table 6



General Obligation Debt, Bond and Note Payments (In Thousands of Dollars)

Item		Issue Date	Maturity Dates	New Issues	Refunded Principal	Principal Payments	Interest Payments	Outstanding Principal as of 9-30-06
School Bond Loan (a)	Series 1995	1995	1996-2015	\$ -0-	\$ -0-	\$ 8,295	\$ 654	\$ 8,720 *
	Series 1998	1998	2000-2017	-0-	-0-	7,295	2,614	51,460 *
	Series 2001 (Refunding)	2001	2002-2016	-0-	-0-	75	4,620	84,960
	Series 2002 (Refunding)	2002	2003-2015	-0-	-0-	-0-	4,338	84,825
	Series 2005B Multi-Modal	2005	2017-2025	-0-	13,000	-0-	1,293	349,510
	Series 2005C Multi-Modal	2005	2020-2024	-0-	-0-	-0-	1,774	113,090
	Series 2006A	2006	2017-2025	66,830	-0-	-0-	-0-	66,830
Environmental Protection (b)	Series 1989	1989	1994-2019	-0-	-0-	1,121	2,254	5,258 *
	Series 1992	1992	2005-2012	-0-	-0-	967	5,741	75,956 *
	Water Pollution 1992	1992	1994-2012	-0-	-0-	760	379	5,755
	Water Pollution 1993	1993	1995-2013	-0-	-0-	945	435	8,220
	Series 1995	1995	1996-2019	-0-	-0-	5,000	137	7,495 *
	Series 1998	1998	1998-2017	-0-	-0-	3,795	683	12,480 *
	Series 2000	2000	2001-2020	-0-	-0-	2,185	757	12,675 *
	Series 2001 (Refunding)	2001	2002-2016	-0-	-0-	13,325	4,331	72,815
	Series 2002 (Refunding)	2002	2004-2015	-0-	-0-	1,610	6,846	131,110
	Series 2003	2003	2007-2021	-0-	-0-	-0-	1,919	38,000
	Series 2005B (Refunding)	2005	2013-2016	-0-	-0-	-0-	1,708	45,895
	Series 2005B (Refunding)	2005	2019-2021	-0-	-0-	-0-	1,358	36,492
	Series 2005C (Refunding)	2005	2008-2013	-0-	-0-	-0-	169	5,482
	Series 2006A	2006	2014-2026	25,000	-0-	-0-	-0-	25,000
Recreation (c)	Series 2002 (Refunding)	2002	2005-2012	-0-	-0-	1,845	1,011	21,090
Clean Michigan Initiative (d)	Series 1999A	1999	2003-2019	-0-	-0-	3,480	922	15,630 *
	Series 2001	2001	2003-2019	-0-	-0-	1,950	1,537	29,965 *
	Series 2002 (Refunding)	2002	2004-2016	-0-	-0-	120	3,141	59,555
	Series 2003	2003	2007-2021	-0-	-0-	-0-	8,180	162,000
	Series 2005A	2005	2017-2021	-0-	-0-	-0-	2,652	64,935
	Series 2005A (Refunding)	2005	2017-2018	-0-	-0-	-0-	892	21,835
	Series 2005B (Refunding)	2005	2019-2021	-0-	-0-	-0-	17	443
	Series 2005C (Refunding)	2005	2008-2013	-0-	-0-	-0-	481	15,603
	Series 2006A	2006	2014-2026	80,000	-0-	-0-	-0-	80,000
Great Lakes Water Quality Bond	SWQIF 2003	2003	2053	-0-	4,000	-0-	174	6,000
	Series 2006B (SWQIF)	2006	2007, 2009	47,000	-0-	-0-	-0-	47,000
Total General Obligation Debt				\$ 218,830	\$ 17,000	\$52,768	\$61,017	\$1,766,084

(a) P.A. 112 of 1961 as amended, provides that the State may borrow from time to time such amounts as shall be required for the purpose of making loans to school districts. Requirements are determined semiannually and General Obligation debt is issued as needed.

(b) P.A. 328 of 1988, provided for the issuance of \$660 million General Obligation Bonds, of which \$7.2 million remains.

(c) P.A. 329 of 1988, provided for the issuance of \$140 million General Obligation Bonds, all of which have been issued.

(d) P.A. 284 of 1998 and P.A. 451 of 1994, as amended, provided for the issuance of \$675 million General Obligation Bonds, of which \$179.9 million remains.

* All or part of the principal amount not presented and not represented in the totals due to the advanced refunding of all or part of this obligation. The table below summarizes the advanced refunding activity by type of bond.

Series	Advanced Refunded From Series	Amount Refunded	FY 06 Paid From Escrow Principal	FY 06 Paid From Escrow Interest	FY 06 Escrow Balance
General Obligation Debt:					
School Bond Loan	2001, 2002, 2005B, 2005C	\$ 608,650	\$ 539,595	\$ 13,714	\$ 69,055
Environmental Protection	2001, 2002, 2005B, 2005C	317,465	212,000	9,798	87,755
Clean Michigan Initiative	2002, 2005A	81,660	-0-	4,267	78,470
Great Lakes Water Quality	2006B	4,000	-0-	-0-	4,000
		\$ 1,011,775	\$ 751,595	\$ 27,779	\$ 239,280

Table 7



Special Authority Revenue Bond Debt ^(a) (In Thousands of Dollars)

Item	New Issues	Principal Payments	Interest Payments	Outstanding Principal as of 9-30-06
Mackinac Island State Park Commission	\$ -0-	\$ 220	\$ 121	\$ 1,645 *
Michigan State Housing Development Authority (b)	516,997	370,705	73,338	1,766,202
Michigan State Hospital Finance Authority (c)	969,750	549,133	278,382	4,857,896 *
Michigan Higher Education Facilities Authority	36,020	17,105	15,864	410,875
Michigan Higher Education Student Loan Authority	91,675	23,325	82,842	2,355,400
Michigan Municipal Bond Authority	637,790	968,442	84,099	3,456,474
Michigan State Building Authority (d)	1,940,115	1,105,325	140,780	3,449,310 *
Michigan Public Educational Facilities Authority	45,870	20,590	1,319	51,800
Michigan Tobacco Settlement Finance Authority	490,501	-0-	-0-	490,501
Total Special Authority Revenue Bond Debt	\$4,728,718	\$3,054,845	\$676,745	\$16,840,103

* All or part of the principal amount not presented and not represented in the totals due to the advance refunding of all or part of this obligation.

(a) Not administered by Department of Treasury. Information in the table is provided by each Authority.

(b) The new issues include \$294 million of new bond issues plus \$1.4 million of capital appreciation for the fiscal year. Amounts are as of June 30, 2006 fiscal year end.

(c) Balance includes \$4,690.6 million in bonds and \$167.3 million in Hospital Equipment Loan Program (HELP) notes. Balance does not include MSHFA obligations that have been advance refunded. In fiscal year 2006, net escrow payment activity was \$53 million leaving an escrow principal liability as of September 30, 2006 of \$1,294.1 million.

(d) Balance does not include obligations that have been advance refunded. The escrow principal liability as of September 30, 2006 was \$1,294.8 million. Also, outstanding principal balance does not include commercial paper notes issued by the Authority. As of September 30, 2006, \$57.0 million of commercial paper notes was outstanding. Includes Capital appreciation bonds reported with an ultimate maturity value of \$891.8 million. The accreted value as of September 30, 2006 is \$395.3 million.

Table 8



General Obligation Bond Payment Schedule (In Thousands of Dollars)

For Period Ended September 30	Principal	Interest	Total
2007	\$ 62,410	\$ 83,907	\$ 146,317
2008	71,674	89,174	160,848
2009	117,442	86,175	203,617
2010	76,314	80,568	156,882
2011	84,616	72,408	157,024
2012	85,704	71,153	156,857
2013	108,640	59,248	167,888
2014	105,710	53,682	159,392
2015	102,965	48,162	151,127
2016	100,095	42,756	142,851
2017	64,360	38,480	102,840
2018	100,635	34,335	134,970
2019	102,865	29,264	132,129
2020	128,230	23,818	152,048
2021	131,195	17,844	149,039
2022	81,615	12,550	94,165
2023	82,210	8,994	91,204
2024	82,710	5,435	88,145
2025	60,095	2,206	62,301
2026	10,600	477	11,077
Thereafter	6,000	-0-	6,000
Total (a)	\$1,766,085	\$860,636	\$2,626,721

(a) Includes \$349.5 million in State of Michigan Multi-Modal General Obligation Taxable School Loan Bonds, assuming a 4.65% interest rate; \$66.9 million in State of Michigan Multi-Modal General Obligation Taxable School Loan Bonds, assuming a 5.27% interest rate and \$113.1 million in State of Michigan Multi-Modal General Obligation Tax-Exempt School Loan Bonds, assuming a 3.65% interest rate and maturing in years 2017 through 2025.

Table 9



Bonds and Notes Payable by Fiscal Year (In Thousands of Dollars)

Item	Outstanding on September 30				
	2002	2003	2004	2005	2006
GENERAL OBLIGATION DEBT					
School Bond Loan	\$ 448,290	\$ 550,135	\$ 625,480	\$ 721,230	\$ 759,395 *
Environmental Protection	453,816	485,163	513,090	487,341	482,633 *
Recreation	34,750	34,750	34,690	22,935	21,090
Clean Michigan Initiative	144,420	300,990	314,732	375,516	449,966
Great Lakes Water Quality	-0-	-0-	10,000	10,000	53,000
Total General Obligation Debt	\$ 1,081,276	\$ 1,371,038	\$ 1,497,992	\$ 1,617,022	\$ 1,766,084
NON-GENERAL OBLIGATION DEBT					
Michigan Department of Transportation Tax Dedicated Bonds	\$ 1,126,763	\$ 1,123,900	\$ 1,268,814	\$ 1,594,798	\$ 1,836,104 *
MDOT Grant Anticipation Notes	600,000	600,000	600,000	172,000	84,000
Michigan Department of Natural Resources					
State Park Revenue Bonds	15,500	15,500	15,010	14,500	13,965
Special Authorities-Revenue Bonds and Notes: (a)					
Mackinac Island State Park Commission	2,530	2,320	2,100	1,865	1,645 *
Michigan State Housing Development Authority	2,030,891	1,841,384	1,713,065	1,732,892	1,766,202
Michigan State Hospital Finance Authority	3,845,458	4,087,137	4,093,523	4,384,008	4,857,896 *
Michigan Higher Education Facilities Authority	334,330	340,485	384,010	393,845	410,875 *
Michigan Higher Education Student Loan Authority	1,419,340	1,299,420	1,860,440	2,287,050	2,355,400
Michigan Municipal Bond Authority	2,961,050	3,095,091	3,435,178	3,809,532	3,456,474
Michigan State Building Authority	2,582,134	2,606,760	2,544,580	2,614,520	3,449,310 *
Michigan Underground Storage Tank Financial Assurance Authority	137,450	121,550	104,780	-0-	-0-
Michigan Public Educational Facilities Authority	-0-	14,890	19,000	26,520	51,800
Michigan Broadband Development Authority	33,333	50,000	50,000	23,444	-0-
Michigan Family Farm Development Authority	81	37	1	-0-	-0-
Michigan Tobacco Settlement Finance Authority	-0-	-0-	-0-	-0-	490,501
Total Non-General Obligation Debt	\$15,088,860	\$15,198,474	\$16,090,501	\$17,054,974	\$18,774,172

* All or part of the principal amount not presented and not represented in the totals due to the advance refunding of all or part of this obligation.

(a) Does not include the activity of the Michigan Strategic Fund.

Table 10



Special Revenue Debt, Bond and Note Payments (In Thousands of Dollars)

Item		Issue Date	Maturity Dates	Amount issued	Refunded Principal	Principal Payments	Interest Payments	Outstanding Principal as of 9-30-06
Michigan Department of Transportation								
Tax Dedicated Bonds Michigan								
Comprehensive Transportation:								
	RF. SR. 1996-A	1996	2014	22,650	\$ 17,925	\$ 1,185	\$ 538	\$ -0-
	RF. SR. 1998-A	1998	2010	38,640	-0-	3,915	1,773	33,730
	RF. SR. 2001-A	2001	2021	27,765	-0-	-0-	1,410	27,765
	RF. SR. 2002-A	2002	2011	89,620	-0-	9,790	2,985	46,485
	Series 2002-B	2002	2022	82,310	-0-	2,930	1,232	20,970 *
	Series 2003	2003	2023	35,020	-0-	1,270	801	21,025 *
	Series 2005	2005	2023	62,180	-0-	-0-	3,310	62,180
	Series 2006	2006	2024	53,685	-0-	-0-	-0-	53,685
State Trunkline Fund:								
	Series 1989-A	1989	2019	135,780	-0-	1,909	4,046	5,004 *
	Series 1992-A	1992	2021	253,618	-0-	4,114	5,021	25,924 *
	RF. SR. 1992-B I & II	1992	2021	99,592	-0-	721	879	3,891 *
	SR. 1996-A	1996	2026	54,500	-0-	1,135	111	1,210 *
	RF. SR. 1998-A	1998	2026	377,890	-0-	935	19,435	376,955
	Series 2001-A	2001	2030	308,200	-0-	6,885	2,110	38,340 *
	RF. SR. 2002	2002	2021	97,870	-0-	560	3,747	72,845
	RF. SR. 2004	2004	2021	103,450	-0-	3,630	5,143	99,820
	Series 2004	2004	2019	185,710	-0-	-0-	4,678	100,480 *
	RF. SR. 2005	2005	2022	223,020	-0-	-0-	11,398	223,020
	RF. SR. 2005B	2005	2019	378,250	-0-	-0-	18,152	378,250
	Series 2006	2006	2022	244,525	-0-	-0-	-0-	244,525
MDOT Grant Anticipation Notes:	Series 2002-A,B,C,D	2002	2009	200,000	88,000 (1)	-0-	4,542	84,000
Michigan Department of Natural Resources State Park								
Revenue Bonds	Series 2002	2002	2022	15,500	-0-	535	554	13,965
Total Special Revenue Debt					\$105,925	\$39,514	\$91,865	\$1,934,069

(1) Principal payoff from available funds.

* All or part of the principal amount not presented and not represented in the totals due to the advance refunding of all or part of this obligation. The table below summarizes the advance refunding activity by type of bond.

Series	Advanced Refunded From Series	Amount Refunded	FY 06 Paid From Escrow Principal	FY 06 Paid From Escrow Interest	FY 06 Escrow Balance
Special Revenue Debt:					
Comprehensive Transportation	2005, 2006	\$ 83,025	\$ 17,990	\$ 3,720	\$ 62,810
Trunkline Transportation	1998A, 2002, 2004, 2005	376,280	-0-	19,750	376,280
		<u>\$ 459,305</u>	<u>\$ 17,990</u>	<u>\$ 23,470</u>	<u>\$ 439,090</u>

State Tax Collections

State taxes and fees totaling \$21,530,516 (in thousands) were collected during fiscal year 2006, which is an increase of 1.2 percent from the previous fiscal year.

Major tax collections for fiscal year 2006 and the previous four

years are detailed in Table 11, *Treasury Administered Taxes and Fees Collected on a Cash Basis*, below.

Table 12, *Michigan State Taxes*, identifies all Michigan taxes and gives administrative information about each.

Table 11



Treasury Administered Taxes and Fees Collected on a Cash Basis (In Thousands of Dollars)

Type of Revenue	10-1-01 to 9-30-02	10-1-02 to 9-30-03	10-1-03 to 9-30-04	10-1-04 to 9-30-05	10-1-05 to 9-30-06
Income Tax:					
Withholding Tax	\$ 6,438,241	\$ 6,334,996	\$ 6,343,678	\$ 6,386,345	\$ 6,439,735
Individual Income Tax	521,286	431,889	496,135	638,351	692,234
Individual Income Tax Estimates	635,691	592,986	602,043	642,070	725,778
Individual Income Tax Penalty and Interest	22,802	18,789	19,193	18,416	20,073
Gross Individual Income Tax Collections	7,618,020	7,378,660	7,461,049	7,685,182	7,877,821
Tax Refunds and Tax Credits (a)	(1,357,672)	(1,532,963)	(1,548,788)	(1,646,604)	(1,634,938)
Net Individual Income Tax	\$ 6,260,348	\$ 5,845,697	\$ 5,912,261	\$ 6,038,578	\$ 6,242,883
Single Business Tax	\$ 2,280,168	\$ 2,179,850	\$ 2,062,609	\$ 2,135,464	\$ 2,175,529
Single Business Tax Penalty and Interest	68,675	70,092	48,105	50,947	68,523
Gross Single Business Tax	2,348,843	2,249,942	2,110,713	2,186,411	2,244,052
Tax Refunds	(296,604)	(293,203)	(251,007)	(249,318)	(235,997)
Net Single Business Tax	\$ 2,052,239	\$ 1,956,739	\$ 1,859,706	\$ 1,937,093	\$ 2,008,055
Airport Parking Tax	\$ 14,135	\$ 14,342	\$ 14,737	\$ 17,670	\$ 20,196
Airport Parking Tax Penalty and Interest	.35	.82	1	7	2
Cigarette Tobacco Products Tax	622,223	874,441	932,131	1,146,375	1,138,529
Cigarette Tobacco Products Tax Penalty and Interest (b)	92	304	(35)	402	1,509
Commercial Mobile Radio Service Tax	24,734	27,449	28,638	29,196	25,302
Convention Facility Tax	15,775	15,676	15,858	17,158	18,694
Convention Facility Tax Penalty and Interest	27	4	53	86	74
Estate Tax (c)	141,475	106,819	80,968	106,543	772
Gas and Oil Privilege Fee	5,107	5,749	4,915	5,393	7,781
Gas and Oil Severance Tax	34,647	54,085	49,478	64,826	87,809
Industrial/Commercial Facilities Tax	149,889	156,406	154,267	141,384	136,783
Inheritance Tax (c)	509	239	293	212	69
Insurance - Retaliatory Tax	218,651	229,654	233,895	241,083	225,816
Intangibles Tax (d)	608	(994)	70	8	233
Motor Fuel Taxes	1,098,032	1,100,343	1,073,002	1,083,303	1,065,851
Non-Cigarette Tobacco Products Tax	18,837	18,142	23,939	39,419	38,905
Real Estate Transfer Tax	254,237	257,537	318,029	320,223	311,833
Sales Tax	6,492,547	6,408,508	6,457,613	6,609,944	6,589,230
Sales, Use and Withholding Penalty and Interest	52,452	44,597	44,270	47,035	49,995
State Education Tax	1,578,743	1,776,174	1,542,252	1,794,026	1,900,206
State Housing Development Service Fee	7,911	8,409	9,092	7,060	9,001
Environmental Protection Regulatory Fee (e)	60,929	58,459	58,422	59,167	55,784
Use Tax	1,315,629	1,236,133	1,317,494	1,396,395	1,391,289
Utility Property Tax	140,841	133,276	114,702	99,535	91,660
Other Taxes and Fees (f)	56,977	85,143	143,183	65,319	112,255
TOTAL	\$ 20,617,594	\$ 20,413,332	\$ 20,389,235	\$ 21,267,440	\$ 21,530,516

(a) Temporary Assistance to Needy Families (TANF) funded by the Federal government reduced income tax refunds by \$56 million in FY 2002.

(b) Cigarette Tobacco Products Tax Penalty and Interest refunds paid exceeded Penalty and Interest revenues collected in FY 2004.

(c) Public Act 54 of 1993 replaced the Inheritance Tax for dates of death after September 30, 1993 with the Estate Tax.

(d) Public Act 5 of 1995 repealed Public Act 301 of 1939 regarding collection of Intangible Taxes. Refunds paid exceeded revenue collected in FY 2003.

(e) Public Act 390 of 2004 changed the name of the fee from Underground Regulatory to Environmental Protection Regulatory in FY 2005.

(f) Includes Court Fines, Fees & Assessments, Trailer Coach Parks Specific Tax, Commercial Forest Tax and Low Grade Iron Ore Specific Tax. As of FY 2005, this line item no longer includes Revenue from Escheated Estates.

Table 12



Michigan State Taxes (In Thousands of Dollars)

Tax Source	Year Adopted	Department Administered by	Payment Deadline	Net Cash Receipts 10-1-05 to 9-30-06	Disposition
Aircraft Registration	1923	Transportation	August 1	307	State Aeronautics Fund
Airport Parking	1987	TREASURY	15th of each month	20,196	State Aeronautics Fund; Specific Local Units
Aviation Fuel	1929	TREASURY	20th of each month	6,007	State Aeronautics Fund
Beer and Wine Excise	1933	Labor & Economic Growth	Monthly reports and/or stamps	50,944	General Fund
Casino Wagering	1999	Education	Daily	154,684	School Aid Fund, General Fund
Cigarette Tobacco Products	1947	TREASURY	20th of each month	1,138,529	41.6% to School Aid Fund, 19.8% to General Fund, 3.8% to Healthy Michigan Fund, 34.8% to Local Units
Non-Cigarette Tobacco Products	1994	TREASURY	20th of each month	38,905	75% to Local Units, 25% to General Fund
Commercial Mobile Radio Service	1999	TREASURY	Last day of Feb., April, July & Oct.	25,302	Commercial Radio Suppliers and Counties, Public Safety Answering Points
Convention Facility Development	1985	TREASURY	15th of each month	18,694	Debt Service for Cobo Hall; Counties
Corporate Organization	1891	Labor & Economic Growth	At time of incorporation, admission or increase in stock	20,319	General Fund
Diesel Fuel	1947	TREASURY	20th of each month	117,027	Michigan Transportation Fund
Diesel Fuel Dealer License	1951	TREASURY	January 1	-0-	Michigan Transportation Fund
Environmental Protection Regulatory	1989	TREASURY	10th and 25th of each month	55,784	General Fund
Estate	1994	TREASURY	Nine months following date of death	772	General Fund
Gas and Oil Privilege Fee	1973	TREASURY	25th of each month	7,781	General Fund
Gas and Oil Severance	1929	TREASURY	25th of each month	87,809	General Fund
Gasoline	1925	TREASURY	20th of each month	907,824	Michigan Transportation Fund
Horse Race Wagering	1933	Agriculture	At end of each day's racing	9,880	Agriculture Equine Industry Development Fund
Individual Income	1967	TREASURY	April 15	6,242,883	General Fund with 25.9% to School Aid Fund
Industrial/Commercial Facilities	1974	TREASURY	December 1	136,783	Local Units and School Aid Fund
Inheritance	1899	TREASURY	Within 105 days after death, except contingent transfers-due at vesting	69	General Fund
Insurance Company Retaliatory	1987	TREASURY	Last day of April, July, Oct. and Jan.	225,816	General Fund
Intangibles	1939	TREASURY	April 30, or last day of 4th month after end of taxpayer's tax year	233	General Fund
Liquified Petroleum Gas	1953	TREASURY	20th of each month	526	Michigan Transportation Fund
Liquor Excise - 4%	1957	Labor & Economic Growth	At the time of sale to retail licensees	34,497	School Aid Fund
Liquor Specific - 4%	1959	Labor & Economic Growth	At the time of sale to retail licensees	34,882	General Fund
Liquor Specific - 1.85%	1972	Labor & Economic Growth	At the time of sale to retail licensees	12,654	Liquor Purchase Revolving Fund
Liquor - 4% -- Tourism and Convention Facility	1985	Labor & Economic Growth	At the time of sale to retail licensees	34,563	Debt Service for Cobo Hall; Counties
Marine Fuel	1947	TREASURY	20th of each month	315	Michigan State Waterways Fund
Motor Carrier Diesel Fuel	1980	TREASURY	Last day of month following close of qtr.	34,078	Michigan Transportation Fund
Motor Carrier's Privilege	1923	Labor & Economic Growth	December 1	5,844	Michigan Transportation Fund
Motor Vehicle Weight or Value	1905	State	Owner's birthday	869,507	Michigan Transportation Fund
Real Estate Transfer	1994	TREASURY	County Treasurer remits to State on the 15th in the month after receipt	311,833	School Aid Fund
Sales	1933	TREASURY	15th and last day of each month for accelerated filers. 20th day of the month for non-accelerated filers.	6,589,230	72.8% to School Aid Fund, 9.4% to General Fund, 1.0% to Comprehensive Transportation Fund, 16.6% to Local Units, 0.1% to Healthy Initiative Fund, 0.1% to Enhanced Enforcement
Single Business	1975	TREASURY	April 30, or last day of 4th month after end of taxpayer's tax year	2,008,055	General Fund
State Education	1994	TREASURY	County Treasurer remits to State the month after receipt from Local Units	1,900,206	School Aid Fund
Snowmobile Registration	1968	State	October 1 (every 3rd year)	1,487	General Fund
Utility Property	1905	TREASURY	July 1 or 1/2 on Aug. 1, 1/2 on Dec. 1	91,660	General Fund
Use	1937	TREASURY	15th of each month	1,391,289	66.6% to General Fund, 33.4% to School Aid Fund
Watercraft Registration	1967	State	January 1 (every 3rd year)	9,717	17.5% to Michigan State Waterways Fund, 33.5% to Harbor Development Fund, 49% to Marine Safety Fund

Local Property Taxes

Local property taxes in Michigan are levied by local units of government - school districts, cities, counties, townships, and villages. Each of Michigan's 83 counties then "equalizes" the local assessments.

Equalization ensures that similar properties in different areas are assessed equitably. Following county equalization, the State Tax Commission equalizes among counties.

Table 13, *Local Property Tax Valuation, Levies and Average Rates*, shows local, county and State equalized valuations for calendar year 2005 and the prior decade. This table also lists the total Taxable Valuation and the average tax rate (millage) for each year. Table 14, *Distribution of Local Property Taxes*, shows how property tax dollars are apportioned among the various taxing units.

Michigan taxpayers' local property tax burden is lessened substantially by an income tax credit for property taxes paid.

Table 13



Local Property Tax Valuation, Levies and Average Rates (In Millions of Dollars)

Calendar Year	Local Assessed Valuation	County Equalized Valuation	State Equalized Valuation	Taxable Valuation (a)	Total Taxes Levied	Average Rate (Mills) (b)	Homestead Average Rate (c)	Nonhomestead Average Rate
2005	\$ 415,776	\$ 415,796	\$ 415,796	\$ 321,653	\$ 12,827	39.88	32.60	51.38
2004	392,562	392,621	392,622	304,716	12,190	40.00	32.71	50.81
2003	369,404	369,525	369,525	288,957	11,269	39.00	31.81	49.74
2002	343,577	343,715	343,715	274,652	11,033	40.17	32.60	51.00
2001	312,429	312,519	312,896	257,712	10,251	39.78	32.12	50.72
2000	284,331	284,427	284,427	240,647	9,462	39.32	31.54	50.10
1999	260,964	261,002	261,002	228,096	8,933	39.16	31.40	49.76
1998	237,401	237,410	237,416	215,179	8,450	39.27	31.43	49.68
1997	216,682	216,745	216,745	202,616	7,952	39.25	31.36	49.63
1996	200,246	200,341	200,341	191,777	7,536	39.32	31.35	49.52
1995	186,262	186,388	186,395	185,530	7,081	38.88	31.00	48.79

(a) Beginning in 1994, property taxes have been levied against Taxable Value, not State Equalized Value.

(b) This is the Average Rate based on all classes of property. For 2003 only, the State Education Tax rate was 5.0, lowering average rates by 1.0 mill.

(c) Homesteads include those properties which receive the "homeowner's principal residence" exemption, and those which receive the "qualified agricultural property" exemption.

Table 14



Distribution of Local Property Taxes (In Thousands of Dollars)

Taxing Unit	Taxes Levied		Percent of Increase
	2004	2005	
City	\$ 2,178,717	\$ 2,294,324	5.31%
County	1,918,051	2,017,064	5.16%
Township	743,252	793,380	6.74%
Village	88,175	91,051	3.26%
School	5,440,922	5,710,028	4.95%
State Education Tax (a)	1,821,043	1,921,532	5.52%
Totals	\$12,190,160 (a)	\$12,827,379 (b)	

(a) \$811.2 million of the total property taxes levied in 2004 was refunded to taxpayers through the "circuit breaker" system of property tax credits against State income tax due or as a reimbursement if they exceed the income tax.

(b) \$839.8 million of the total property taxes levied in 2005 was refunded to taxpayers through the "circuit breaker" system of property tax credits against State income tax due or as a reimbursement if they exceed the income tax.

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